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NOMINATIONS OF DR. SUSAN M. PHILLIPS TO BE A COMMISSIONER OF THE COMMODITY FUTURES TRADING COMMISSION AND EVERETT RANK TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE COMMODITY CREDIT CORPORATION

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

OCTOBER 21, 1981

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

U.S. GOVERNMENT PRINTING OFFICE
86-475 O WASHINGTON : 1981

S161-34

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NOMINATIONS OF DR. SUSAN M. PHILLIPS, OF IOWA, TO BE A COMMISSIONER OF THE COMMODITY FUTURES TRADING COMMISSION, AND EVERETT RANK, OF CALIFORNIA, TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE COMMODITY CREDIT CORPORATION

WEDNESDAY, OCTOBER 21, 1981

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 324, Russell Senate Office Building, Hon. Jesse Helms (chairman) presiding.

Present: Senators Helms, Dole, Hayakawa, Lugar, Cochran, Jepsen, Huddleston, Zorinsky, Melcher, and Pryor.

STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM NORTH CAROLINA

The CHAIRMAN. The hearing will come to order. Inasmuch as Senators are in various stages of arrival, suppose we proceed with the preliminaries.

As you know from your agenda, the committee meets today to consider the nominations of Susan M. Phillips to be a Commissioner of the Commodity Futures Trading Commission, and Everett Rank to be a member of the Board of Directors of the Commodity Credit Corporation. I believe both nominees have visited with most, if not all, of the Senators on the committee and each Senator has before him papers indicating that these two nominees are exceedingly well qualified to serve in the position for which they have been nominated.[1] Miss Phillips is, by far, the better looking of the two I might say, Senator. [Laughter.]

She received her Ph. D. in finance from Louisiana State University and, as her résumé indicates, she has written many scholarly articles for various financial publications. Since CFTC has jurisdiction over the futures market for financial instruments, her unique expertise will be invaluable in the Commission's deliberations.

Now, Senator Jepsen and Senator Grassley are clamoring for the opportunity to present this lady, and I think Senator Jepsen is on his way. Good morning Senator Grassley, why don't you proceed. We welcome you to this committee.

[1] See pp. 18–27 for the background material and financial disclosure information concerning Dr. Phillips; and pp. 28–35 for the biographical sketch and financial disclosure statement of Mr. Rank.

STATEMENT OF HON. CHARLES GRASSLEY, A U.S. SENATOR FROM IOWA

Senator GRASSLEY. Mr. Chairman and members of the committee, I come before you this morning to endorse and support the Presidential nomination of Dr. Susan Phillips to the Commodity Futures Trading Commission. I have a statement that I want to put in the record,[1] but, additionally, I want to tell you that I have visited with her in my office and I know of her interest in this position, in making the Commodity Futures Trading Commission a viable organization that is a benefit to the economy, and also in enhancing its work with the business that it regulates.

I think she is well qualified. She has been under consideration for a considerable length of time and there has been an adequate opportunity for everybody to consider her record. I find her record satisfactory and that is why I am supporting her.

The CHAIRMAN. Senator, thank you very much.

Dr. Phillips, if you would come forward, please. We welcome you to the committee.

Dr. PHILLIPS. Thank you very much.

The CHAIRMAN. It is good to see you again.

Now, Everett Rank will serve in a dual capacity at USDA. We will proceed, with the committee's indulgence, and get the preliminaries out of the way so we can get on to work when Senator Jepsen gets here.

Mr. Rank earlier this year was appointed by Secretary Block to be Administrator of the Agricultural Stabilization and Conservation Service and, if approved by the committee and confirmed by the Senate, he also will serve as executive vice president of the Commodity Credit Corporation.

As Senators know, the CCC is the institution within the Department of Agriculture through which many of the farm programs authorized by Congress are funded. And organized and having to wrestle with the passage of the farm bill for the past 10 months, I know all of us can attest that Mr. Rank and his fellow board members will need all of their knowledge and experience when they attempt to implement the farm bill on the presumption that we get one enacted and signed by the President.

Now, a few words about how we will proceed. I am informed that a quorum is not all that likely this morning. We hope to spring eternal, but too many conflicts being what they are, we will just see. So I have suggested that we proceed with the introduction and questions of the nominees, along with any statement they may wish to make, and then we will follow with a discussion of the legislation.

We welcome you, Senator Jepsen. Senator Grassley has spoken his words in favor of Dr. Phillips and now we welcome you to this panel.

STATEMENT OF HON. ROGER W. JEPSEN, A U.S. SENATOR FROM IOWA

Senator JEPSEN. Thank you, Mr. Chairman. It is a pleasure for me to introduce and present Dr. Susan Phillips to this committee.

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[1] See p. 18 for the prepared statement of Senator Grassley.

Presently, Dr. Phillips is associate vice president of Finance and University Services at the University of Iowa, in Iowa City. She has also served the University of Iowa as interim assistant vice president of Finance and University Services and as associate professor of the Finance Department.

Along with many others from the State of Iowa, I know her excellent qualifications for a position as a Commissioner of the Commodity Futures Trading Commission. Dr. Phillips is a leading expert in the areas of options and futures markets. She will be an articulate Commissioner and will bring the highest level of professionalism to the CFTC.

Dr. Phillips also has a very impressive record of publications. She recently completed a book entitled "The SEC and the Public Interest," co-authored by a CFTC staff economist, on the comparison of options and futures as financial instruments for managing risks.

Mr. Chairman, I highly recommend Dr. Susan Phillips for the position of Commissioner at the Commodity Futures Trading Commission, and welcome you, Dr. Phillips, to Washington and to this committee. It is a good committee, manned by the outstanding Senators in the Senate. And we look forward to working with you.

Dr. PHILLIPS. Thank you very much.

Senator JEPSEN. Chaired by an outstanding chairman.

The CHAIRMAN. You noticed she looked to the left when you said that. [Laughter.]

Well, we do welcome you. Mr. Rank, won't you come forward and have a seat as well. Good morning, sir, it is good to see you. I don't see any prepared statement. But, first, Dr. Phillips, we would invite you to make whatever statement you wish.

STATEMENT OF DR. SUSAN M. PHILLIPS, COMMISSIONER-DESIGNATE, COMMODITY FUTURES TRADING COMMISSION

Dr. PHILLIPS. Thank you very much, Mr. Chairman, and Senators. I would just like to say how pleased I am to be considered for this nomination. The futures markets are very important risks, hedging, and an important part of the commodity and futures markets. And the CFTC plays a very important part in their regulation and the integrity of those markets. And I look forward to working with this committee on the enhancement of those markets. Thank you.

The CHAIRMAN. Thank you. Mr. Rank.[1]

STATEMENT OF EVERETT RANK, ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE AND MEMBER-DESIGNATE, BOARD OF DIRECTORS, COMMODITY CREDIT CORPORATION

Mr. RANK. Thank you, Senator. It is a pleasure to be with the committee this morning to discuss my nomination to be a member of the CCC Board.

I want to say it has been a pleasure in the last 7 months working as the Administrator of ASCS and as executive vice president of the CCC Board, and the close relationship we have had with the Senate Agriculture Committee and to share the concern we all

[1] See p. 15 for questions from Senator Helms of Mr. Rank and answers thereto.

have for the American farmers. And I hope, Senator, and the rest of the committee, that I will be able to serve and work with you on the various commodities and problems, and be of assistance and fill out the duties that the job entails. Thank you very much.

The CHAIRMAN. That was a very fine statement. I would ask each of you, if your nomination is approved and reported out of this committee and confirmed by the Senate, do you promise to respond to requests, and appear and testify before this committee or any other duly constituted committee of the Senate? Dr. Phillips?

Dr. PHILLIPS. Yes, sir, I would.

Mr. RANK. Yes, sir.

The CHAIRMAN. Let the record show that both responded in the affirmative.

If you are confirmed by the Senate, will you faithfully execute the laws passed by Congress, regardless of any previous statements you may have made or biases you may have had? Dr. Phillips?

Dr. PHILLIPS. Yes, I would.

Mr. RANK. Yes, sir, I will.

The CHAIRMAN. Let the record show that both responded in the affirmative.

Dr. Phillips, this is a general question. Let me ask you if you have formulated a regulatory philosophy as a result of your experience—and, of course, you have—if so, the committee would be interested in having you describe that philosophy and giving such illustrations as may come to mind.

Dr. PHILLIPS. Thank you very much. As I mentioned in my opening statement, I have an enormous respect for the futures market and the strength of those markets, and I would believe that one of the most important regulatory arms that we do have is the markets themselves. And I would prefer always to see the markets act as a self-regulatory whenever possible. But the CFTC can certainly—or any regulatory agency for that matter—can certainly step in and supplement the market mechanisms whenever appropriate. And I would hope that the CFTC would be very mindful of the role of the markets and the cost of regulation. And that when we look to instituting new regulations or major regulatory changes, that we would look at the burden that those regulations might place on the participants in the markets and would prefer us to always weigh the costs against the benefits of the markets.

So that in terms of a regulatory philosophy, I guess I would—and I am sure that it is probably pretty well known—support the notion of being a free market economist, and would like to continue to see that the CFTC, and would like to work in that direction. But the CFTC does have a very definite assignment from this committee and from the Congress, and we need to find the best and most efficient way to implement those responsibilities.

I would be pleased to answer any questions.

The CHAIRMAN. How long were you connected with the SEC? You worked there for, what, 2 years?

Dr. PHILLIPS. Yes, sir. I was there from 1976 to 1978. I was there, first of all, as a Brookings fellow, doing research, and then as an SEC fellow. I did research in the national market system area and in the options area, and largely did cost benefit kinds of analyses

for the Commission. They were looking at regulatory changes in options and in national market systems.

The CHAIRMAN. That ought to be helpful to you in your new position.

Dr. PHILLIPS. I hope so.

The CHAIRMAN. In addition, you have done a great deal of scholarship in the function of the financial markets—stock, commodities and so forth. That is not going to hurt you either, is it? How is that for a leading question?

Dr. PHILLIPS. I hope not. And I think that my experience with the SEC and their regulatory functions would certainly be helpful. And there are obviously a lot of interconnections between the financial markets. And because of those interconnections, there certainly would be some interconnections between various regulatory agencies. And I think that both the regulatory experience, directly, and the instruments themselves—experience in those two areas—would be helpful. I hope so.

The CHAIRMAN. I have a few more questions. Let me say at this point that all Senators have conflicting committee assignments and it is difficult for any committee to get a quorum, but the record of this meeting will be held open and each of you will undoubtedly receive written questions to which I know you will be glad to respond.

Dr. PHILLIPS. Yes, sir.

Mr. RANK. Yes, sir.

The CHAIRMAN. We welcome the distinguished ranking member, Mr. Huddleston. Do you have questions for Dr. Phillips, sir?

Senator HUDDLESTON. I will yield at this time, Mr. Chairman, since I have just arrived.

The CHAIRMAN. All right. Senator Dole?

Senator DOLE. It is a very impressive list. I am not certain I understand all of these things you have been doing. But I am not the nominee. But coming from Kansas, which is near Iowa—I spent some time in Iowa, too, but nobody knew it by me. [Laughter.]

I have spent many weeks and weekends there.

Some of us are concerned about agriculture, and, of course, CFTC is directly involved in markets and activities that affect farm income. Very honestly, many farmers have lost confidence—maybe never had any confidence—in boards of trades in the futures market, and some do not understand the operations of the system. It is my hope, and I think the hope of many, particularly on this committee, that whoever becomes a member of the CFTC will understand that CFTC affects areas which are of direct interest to the jurisdiction of this committee, not the least of which is the stability and level of prices farmers receive in the marketplace. I think it is important for us to know that you understand the concern that the American farm community has, wherever we may be, in the Midwest, the Southeast, or the Northwest; and we want the market to operate unfettered, if possible. We are not looking for someone to regulate the market, but to preserve its integrity.

Also, it would be very helpful if the farmers themselves better understood what the CFTC's role is. Mr. Johnson recently visited my State, and had two meetings in different parts of the State. The

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meetings were very helpful to him, coming from Chicago, and helpful to people in Kansas to better understand what his role is.

What I am suggesting is, hopefully, that your interest is broad-based. I don't see any specific reference to agriculture, but I am certain that many of the things that you have dealt with would indirectly affect farm income, taxpayers, whatever.

Dr. PHILLIPS. Yes, sir. Let me say, coming from a farm State, farming certainly permeates everybody's life in Iowa, even in a university community. And I am very cognizant of the risks that farmers face—that is a very long production cycle—and the use that the futures markets can play in risk protection, passing off risk, and essentially managing the production cycle. And I would very much look forward to trying to keep the lines of communication open with farmers directly, and with farming groups, and I would be pleased to meet with groups. If you have anybody you would like me to meet with, I would be pleased to. And, in fact, I would like to seek out the opportunity to get that line of communication open.

And, as a Commissioner, I would like to see that the educational lines are open. That is one thing we need to be doing.

Senator DOLE. But in your role in Iowa University, and of course, being from Iowa, the great corn State, I think you probably understand how the market operates and how it affects farmers, how the futures market works to their advantage if they understand it.

Dr. PHILLIPS. That is the key, sir, I believe, is trying to understand how they can best use the futures markets as a risk management tool. And that is where I think we can do some work and improve the communications structure.

Senator DOLE. It is my hope that CFTC would be a little more aggressive in that area. I think it has been asleep for a few years. With the makeup they have had, maybe it was better that it was asleep. [Laughter.]

But I think we will have to wake it up and let the farmers know that you exist. I think there really is a serious information gap between reality and how the farmer perceives the CFTC, if he understands it at all.

Dr. PHILLIPS. Yes, sir. I would look forward to the opportunity to work in that direction. I would like to see the Commission move in that direction.

The CHAIRMAN. Thank you, Senator Dole. Senator Lugar?

Senator LUGAR. Mr. Chairman, Dr. Phillips, I appreciate the opportunity we had to visit about your qualifications. I think they are extensive and I am persuaded that you will be an excellent Commissioner.

Dr. PHILLIPS. Thank you.

Senator LUGAR. I would join Senator Dole and his line of thought that one of the dilemmas for the Commission—but it is also for the exchanges—is the matter of assembling information to farmers as to how these practices could be of value. And as we discussed earlier on in our conversation, this is also true of bankers. It is true of many people in American commerce. A lot of the instability, sense of risk, that is now so rampant with savings and loans, as well as commercial banks, could have been alleviated a long time ago if persons who are supposedly sophisticated in financial affairs

have had some idea of what the futures markets are all about. Obviously, they did not, and in many cases still do not want to go to school to learn.

So I think this is the dilemma for the CFTC. The education function is so extensive that the Commission, in addition to regulating markets to the best of your ability, has spent almost all of its time in conducting courses. And the question, I suppose, is how you will be able to support the efforts of the people who are legitimately involved in this—the exchanges, that they bring farmers to the exchanges, for example, or bankers, whoever else, might be involved. I don't know really what the appropriate role is of the Commission, to serve as both promoter as well as regulator. But the educational thing is clearly important.

The other thing that is important—and this is not a question, but it is really just a statement—is obviously the wisdom and the integrity of the Commissioners themselves, a perception of confidence by Americans in this Commission. And as you know, the authorization/reauthorization legislation will be coming up next year. It is of the essence that the Commission be filled with able Commissioners; they are perceived as acting correctly and promptly. I think we all appreciate what is occurring in Mr. Johnson's administration, and that your addition to that will be important.

Can you give any sort of research that you have as to what the appropriate role is of this Commission. What should be the extent of its work in American life? I know that your articles commented about specific aspects of options, futures, the mechanism, the market. But in making your own philosophy more extensive, why is there a need for this Commission at all? Granted that somebody ought to be in oversight, why doesn't the market work in this case without any Commissioners? And why should you be involved?

Dr. PHILLIPS. Well, that is an excellent question. The Commission, as with any regulatory agency I think, as I stated early on, would hope to see that the markets could function effectively without intervention. To the extent that they don't, or to the extent that there are pricing aberrations, or to the extent that there are—we don't like to say this, but there may be some dishonest people out there. And I think that one of the Commission's roles would be in the enforcement aspects, and really as a group of last resort in an oversight for the markets. So that I think we would all hope that the CFTC would not have to step in in most cases. But, on occasion, there does need to be somebody there to step in. So I guess I would hope that it would be an oversight of last resort.

Does that give you an idea of where I am coming from?

Senator LUGAR. Well, you are saying, in essence, that someone finally has to determine whether contracts have been fulfilled in a business in which there is an enormous amount of trust and very short timing in terms of transactions.

Dr. PHILLIPS. There are a lot of ways that the Commission can serve in a coordinative capacity and support the exchanges in a self-regulatory stance. I would certainly hope that the exchanges would be active self-regulated, but the Commission can serve as a coordinated capacity between the various boards of trade.

So I would view this as supportive of the self-regulatory function. And there are certain economies—I am speaking of an economist

here—of scale to having one group serve in that oversight capacity in contract settlement terms and so on, particularly if there are more than one board of trade trading in the same contract. As long as you have got all the trading in one spot, it is a little easier for one exchange to handle. But if you have got two boards trading, then somebody can help the communications there.

So in terms of dealing with exchanges, I would hope that we would be supportive in a communication light.

Senator LUGAR. Last year there may have been an attempt by an individual or two, or a group, to obtain a corner on the silver market. Why should, philosophically, the Commission attempt to stop that? If an individual—just to play the devil's advocate—can buy all the silver in the world, why should the Commission be concerned?

Dr. PHILLIPS. I guess if that were the case, I am not sure the Commission need be concerned. I think some of the problems that might occur are that if they are accumulating positions in excess of what is available in the physical or the underlying market. Then I think the Commission does need to be concerned. And if there is a problem of certainly margin requirements and meeting the margin calls and accumulation of positions in excess of what the person who is "cornering the market" might have at their command, I think at that point the Commission does need to be involved in monitoring the market, and watching what is happening with those positions, and, if necessary, setting position limits, and working with the exchanges.

Senator LUGAR. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Lugar. Senator Cochran.

Senator COCHRAN. Thank you, Mr. Chairman.

Dr. Phillips, I am a little concerned about the fact that we have a limited amount of money for staffing and supporting the CFTC. We are under some severe budget constraints now, and as you get into the work as a Commissioner, if you are confirmed by the Senate, you will probably run right into these problems on a day-to-day basis. I wonder if you have had any thoughts about alternative ways to fund the operation of the CFTC?

As an example, I think about the fact that there are about 100 million contracts traded each year reflecting a total dollar volume from 3 to 4 trillion on the commodity exchanges. I wonder if there is a possibility under existing authority of the CFTC to impose some kind of fee, a user fee in effect, per contract as a way to try to support the activities and provide for the needed staff. As the market continues to expand in volume, I don't see how the CFTC, while it is going through a reduction in staffing in effect, would be able to cope with the responsibilities that it has under the law.

What are your thoughts about that?

Dr. PHILLIPS. Let me say, first of all, I can only comment very generally because I am not sure if there are any plans directly before the Commission for such. I believe that there is such authority for the CFTC to proceed along those lines. And perhaps this is where my SEC experience might be helpful. The SEC does have such a user fee, and it is not a high visibility kind of fee, which leads me to believe that it is working very well. I guess I would say that there are certainly good possibilities for pursuing that. I think

you need to see how it would be set up and what kind of burden it is going to place. And if the burden is concentrated on a few folks, perhaps we should explore a number of avenues. But that is certainly the kind of thing that I think we should look into.

Senator COCHRAN. I think the budget for the CFTC, if I remember correctly, is about $20 million, and if we do have 100 million contracts traded, a 20-cent-per-contract fee would basically raise the money necessary to fully fund the budget at that $20 million level.

What is the number that you used at the SEC? What kind of value is that?

Dr. PHILLIPS. It is a fraction of a cent on the dollar value. So it is in terms of the dollar amount.

Senator COCHRAN. It is the dollar amount.

Dr. PHILLIPS. So you may want to tie it to dollar volume, or margin, or something like that. And certainly you have got different sizes of contracts. So I would think that that would be something that would need to be worked out.

Senator COCHRAN. Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. Huddleston.

Senator HUDDLESTON. Thank you, Mr. Chairman. I have had an opportunity to meet with Dr. Phillips, and I, too, am impressed with her résumé, and commend her as the first lady to serve on the CFTC. Most of the questions that I had, of course, have already been answered. But there is one area that is looming and is very important to me and that is the relationship between the CFTC and the National Futures Association in this whole area of regulation and of standards.[1]

How do you see that developing and what role will the Commission play in making sure that the National Futures Association does get off to a good start and does operate effectively?

Dr. PHILLIPS. Yes, sir; I must admit that most of my information from that has come from public documents, so I don't know too much about it. I am delighted, however, to see that the futures industry and the Commission are moving forward with a self-regulatory organization.

I think that it will take the support of the Commission and the exchanges and brokerage houses' SCM's to get this thing going. And I would hope that the Commission would act in a supportive fashion and in a very cooperative way to get that self-regulatory organization off the ground and operating as an effective self-regulator.

Senator HUDDLESTON. But would you agree it is a legitimate joint venture, so to speak, of self-regulation and a Federal agency?

Dr. PHILLIPS. Yes, sir; I do.

Senator HUDDLESTON. Have you had an opportunity to study viewpoints on the proposal submitted recently by the Commission on options trading to the extent that that might be expanded or should be restricted?

Dr. PHILLIPS. No, sir; I really have not. I understand—again, from press reports—that it is a pilot program, and that efforts are

[1] See pp. 16–18 for written questions of Dr. Phillips and Mr. Rank asked by Senator Huddleston and answers thereto.

being made to monitor the activity when it begins. And I would commend that approach.

Senator HUDDLESTON. At this point then, you have an open mind as far as the question of options trading?

Dr. PHILLIPS. Yes, sir; I do.

Senator HUDDLESTON. I would just want to reemphasize again what Senator Dole and others have mentioned, and that is the necessity for a better understanding and communication with the producers of agriculture products. We suggested this sometime ago in this committee, and I am not certain whether it should not be maybe an obligation of the committee to develop some kind of an information service. Many producers, of course, feel like the futures market restrain their prices. And I think there is maybe a lack of understanding that the prices quoted on the futures market are not always the prices that the producers receive. So he feels put upon in many instances because of that kind of situation. And, as you say, there is an opportunity for producers to use the market if they understand what they are doing. I would hope that both the Commission and the committee would give serious consideration to try and develop some kind of better understanding along that line.

Dr. PHILLIPS. Just as a comment—and perhaps this relates back to one of Senator Lugar's comments—in working with students from banks in Iowa, I have found that there is not a wide understanding of the futures market. Many farmers do rely on the financial advice of their local bankers. And I would like to see the exchanges and boards of trade work programs and develop those kinds of programs. And I would look forward to the opportunity to encourage them to do so.

Senator HUDDLESTON. It might be a good idea, if they don't already, to bring in some farmers to the trading floors. However, that sometimes can be an unsettling experience. [Laughter.]

They always say there are two things you should never see, and that is the making of laws and the making of sausage, and maybe the selling of futures might be another thing. [Laughter.]

Just one last question. In the financial office of the University of Iowa, what did you do with that improved football team? [Laughter.]

Dr. PHILLIPS. I don't know whether I mentioned that to you, but that is one of my responsibilities. [Laughter.]

As a matter of fact, the athletic program. I am taking every bit of credit I can. [Laughter.]

Senator LUGAR. You bought a pretty good team. [Laughter.]

Senator HUDDLESTON. You have got the best thing money can buy. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Huddleston. Senator Jepsen?

Senator JEPSEN. Thank you, Mr. Chairman. It has been emphasized over and over again and alluded to this morning that there is need for education and understanding for the producers, and now we have added the people who advise the producers on a local basis, and many times the banking institutions might expand that to the accounting profession, and bar association, and so on, have a great education job to do. With the advent now of coming of age of many computers, and there are a number of farm producers, who

are using those. And you can see a tremendous field for the possibility of the futures for risk management.

Specifically, in some areas, as Senator Lugar mentioned, the fact is that if someone wanted to buy something in the futures market, if they had the money they would buy as much as they wanted to, even if it meant cornering the market. It was an interesting discussion.

Out in Iowa, there are concerns that the futures markets works to the detriment of the producers in the area of cattle futures. During the past year, specifically, there has been some research done which indicated that it would be relatively easy for a person who was reasonably well informed on futures, and trading, and so on, to predict when prices of the cattle futures on the exchanges were about to drop.

The study further indicated that several large traders, many of them representing meatpacking companies or large cattle feed lots, regularly sold cattle futures and reaped large profits just before the price decline.

Now, given your knowledge and background, and all your research regarding future prices, would you care to comment on this research?

Dr. PHILLIPS. Surely. Cattle futures, in particular, and live hogs also. There is a problem on occasion with liquidity in those markets. And when we are talking about somebody cornering the market, if somebody could literally buy up all of the futures contracts and could do that in a vacuum without other people seeing what you are doing, I think it would be possible. But I think that the liquidity of those markets is one of the most important tools that we might have to work against that. So I think that the CFTC, in monitoring how many traders there are and the position limits, and so on, that would be an important function for the CFTC.

But, again, I would hope that if the markets are well respected, that there will be more participation in the market and we would have more traders. And to the extent that people can't operate in a vacuum, that would be an important self-regulator.

Senator JEPSEN. Well, let's take a structure situation here. I there is research and studies that prove that it is in fact a relatively easy and accurate job to inform people to predict, for example, when the prices for cattle futures were about to drop—if, given that case—would you feel it was encumbent upon you as a member of the Commission to publish this information so that everybody would know about these given set of circumstances as part of the education?

Dr. PHILLIPS. I would think that that would be very helpful. To the extent that if in fact there are arbitrage opportunities, the opportunities for people to make money, to the extent that that is well known, then there will be more people entering the market.

Senator JEPSEN. Now, one last question, Doctor. Many farmers have questioned the lack of availability of delivery points for corn in the past few years Do you feel there is a need for easier access to delivery points?

Dr. PHILLIPS. Yes, I would, particularly given the transportation problem that we are having. So I think yes, I guess I do.

Senator JEPSEN. Thank you, Doctor. Mr. Chairman, I have no further questions.

The CHAIRMAN. Thank you, Senator Jepsen. Senator Melcher?

Senator MELCHER. I have no questions. I want to wish you the best of luck on the Commission.

Dr. PHILLIPS. Thank you very much, sir.

The CHAIRMAN. Senator Hayakawa?

Senator HAYAKAWA. Mr. Chairman, I really have no questions. I find very impressive the candidate's credentials under four areas. First, her education; second, her experience as a teacher; and, third, her experience as an administrator; and, fourth, her most extensive record of publication and research. I certainly have no objection to her confirmation. And I would like to congratulate you, Dr. Phillips, in your appointment and wish you very, very well.

Dr. PHILLIPS. Thank you very much. I would look forward to working with this committee.

The CHAIRMAN. Thank you, Senator.

Now, Mr. Rank, we all hope that a farm bill will emerge from the House and from Congress and that the President will sign it. But let's suppose for a moment, suppose there is no farm bill and, therefore, your agency must participate in the administration of the farm program under the 1949 act. That is my Halloween contribution for today. Now, if the 1949 act should become applicable under those circumstances, how would this affect farmers and our marketing system for grain and cotton, for example? What would the resulting cost to the consumer and taxpayer be?

Mr. RANK. Senator, to give you an example, cotton has migrated from the Southeast part of the United States into areas where cotton is produced more efficiently—the Mississippi belt, the Texas plains, Arizona and California. Farms in these areas do not have a lot of cotton allotments, generally. The allotments are small because of the old 1949 act.

If we went back to the 1949 act, the cotton farmers in the West would probably take the Government to court. Since many of the current producers of cotton do not have an allotment, these farmers then would probably not be allowed to vote on the program and we would be back with a 50 percent of parity. The loan rate would be so low that it would have a complete disruption on the operations of the cotton industry. And this is also true for every commodity you want to name if we went back to the 1949 act. It would be a very expensive program. It would be one where the Government would really control the farmers that would have the quotas and allotments to maintain.

The CHAIRMAN. I have heard various estimates of the cost to the Treasury in the event of the implementation of the 1949 act.

Senator COCHRAN. I have to leave now, Mr. Chairman.

The CHAIRMAN. We have a quorum. Can you stay for just for a vote?

Senator COCHRAN. Well, I have an amendment being discussed in the Appropriations Committee, Mr. Chairman. That's my problem. I need to go over there, but I don't want to disturb the quorum.

The CHAIRMAN. Well, let me ask this then if the Senators are agreeable. We all know this man. We met with both of these

nominees. Would it be agreeable to Senators if we submitted to him such questions we may have in writing and let him respond in writing, and then take a vote on the nominations with the understanding that they will not be called up until all questions submitted have been answered satisfactorily. Would that be agreeable to the Senators?

Senator HUDDLESTON. That is satisfactory, Mr. Chairman. I haven't had any requests from any other members for any specific questions or specific opportunity to ask questions. So I think that would be satisfactory.

The CHAIRMAN. Very well. What is the pleasure of the committee with respect to the two nominees?

Senator JEPSEN. I move the nomination of Dr. Susan Phillips to be a member of the CFTC.

Senator COCHRAN. Second.

The CHAIRMAN. The motion has been made and seconded. All in favor say "aye".

[A chorus of "ayes".]

The CHAIRMAN. Opposed, no.

[No response.]

The CHAIRMAN. Well, I wish I could win something unanimously. [Laughter.]

Dr. PHILLIPS. Thank you very much.

The CHAIRMAN. Now, as to the nomination of Mr. Rank, what is the pleasure of the committee?

Senator LUGAR. I move the nomination of Mr. Rank.

Senator ZORINSKY. Second.

The CHAIRMAN. Seconded by Senator Zorinsky. All in favor, say "aye".

[A chorus of "ayes".]

The CHAIRMAN. Opposed, no.

[No response.]

The CHAIRMAN. Another unanimous vote.

Senator HAYAKAWA. Mr. Chairman, I have an introductory statement on the subject of Mr. Rank that I would like to have included in the record.[1]

The CHAIRMAN. Without objection, that will be included in the record.

Now, any Senator wishing to remain and ask questions, the Chair will be here.

[Whereupon, at 10:58 a.m., the committee adjourned, subject to call of the Chair.]

COMMITTEE NOTE:

October 26, 1981.—The nominations of Dr. Phillips and Mr. Rank were reported to the Senate.

October 27, 1981.—The nominees were confirmed by the Senate.

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[1] See p. 15 for the prepared statement of Senator Hayakawa concerning the nomination of Mr. Rank.

86-475 O—81——3

APPENDIX

Statement of Hon. S. I. Hayakawa, a U.S. Senator From California

I am happy to support the nomination of Everett Rank to be administrator of the Agricultural Stabilization and Conservation Services. Mr. Rank has a long history of both commitment to agriculture and involvement with ASCS in California. He is a farmer and has a strong operational understanding of agriculture. In addition, his twenty years of involvement with ASCS on the county and state-wide levels in California has provided him with the technical knowledge so important to his performance as administrator of the ASCS.

The ASCS is a most important agency of the Department of Agriculture. The commodity and related land use programs designed for voluntary production adjustment, resource protection, and price, market and farm income stabilization are key elements in the success of our nation's farm policy.

Everett is held in high regard by the agricultural community of the San Joaquin Valley. His contributions to the community of Fresno go beyond his participation on various Agricultural Boards-of-Directors. His commitment to the community and public service is impressive. We can be sure that his enthusiasm and commitment as administrator of the ASCS will be of benefit to all of agriculture.

Mr. Rank will also be serving as the Executive Vice President of the Commodity Credit Corporation. The day-to-day administration of the loan and purchase programs for such commodities as wheat, corn, tobacco and milk is demanding work. These programs require capable management of millions of dollars of public funds. It is my opinion that Everett Rank is most qualified to carry out these duties.

Indeed he will face some challenging times. He will have before him a task involving reduction management the likes of which we have rarely seen before. His ability to see that the adverse impacts of budget reductions, in both program and administrative resources, are responsibly placed will be severely tested. Everett will have the opportunity to make great contributions to our nation by improving the efficiency and effectiveness of the many farm programs for which he is responsible. I wish Everett every success, I support his nomination, and I thank the Secretary for his wise choice.

Thank you, Mr. Chairman.

[Questions Submitted by Senator Helms to Mr. Rank and Answers Thereto]

Question 1. According to the trade press, a substantial amount of corn now under CCC loan can be forfeited to the Government within the next 45 days. Is this assessment correct, what amounts are involved, and what can be done to avoid having the Government acquire grain?

Answer. Some farmers are currently delivering or forfeiting corn under CCC loan. This is primarily 1980 and prior crop year corn that was in the farmer-owned grain reserve that was called on January 16, 1981. Corn prices in some areas are depressed to the point where these farmers cannot profitably repay their loans and thus are forfeiting to CCC.

Some 1980-crop corn under regular CCC loan was also expected to be delivered to CCC. However, the recent announcement of the Feed Grain Reserve Program has provided another outlet for much of this grain.

Recent estimates by program specialists from the major corn States suggest that unless corn prices improve soon, CCC could still acquire as much as 50 million bushels of corn.

Hopefully, recent export negotiations and the new grain reserve will improve prices enough to encourage farmers to pay off CCC and market their grain.

Question 2. In your assessment, how is the new crop insurance program being received and will it be adequate?

Answer. I believe that the new all-risk crop insurance program shows promise of being the most effective disaster protection that this Nation's farmers have ever had. That is why I have pledged the cooperation of ASCS to assist FCIC in any way we can. In order for the program to succeed there must be a high level of participation by farmers. In order for farmers to participate, they must be convinced that the dollar amount of protection they receive is adequate and that the premium they pay is reasonable. Because the rates and coverages are set on an actuarial basis, the more farmers that participate, the more attractive those rates and coverages will be. Where these rates and coverages are attractive, I believe the program is being received well. But I do hear some reports of places where farmers believe the coverage is not high enough or the premium rates are too high. These problems should be corrected with increased participation. In order for the program to provide adequate disaster protection, we will need to have the great bulk of the farmers participating. This will require a positive effort on the part of everyone involved, but I believe it can be done.

Question 3. On October 6, U.S.D.A. announced the opening of a farmer-owned reserve for 1981-crop corn and other feed grains. This action was strongly suggested by Senator Jepsen. I support him and I commend you for this decision.

There has also been discussion of an acreage reduction on feed grains. What is your thinking about a possible acreage reduction?

Answer. At this time I can't say whether we will announce a feed grain set-aside for 1982. We are currently studying the possibilities. A major problem with a feed grain set-aside is the level of participation. Given the projected strong demand and the level of reserve activity, prices are expected to rise above proposed target levels. If this occurs, a feed grain set-aside would not be needed. Much of our projected price strength is strong reserve participation—which takes much of the burden off of free supply corn—resulting in increased prices.

In addition, we are projecting an increasing demand. This strong demand (around 8 billion bushels) continues to maintain pressure for a good crop. Current corn carryover of around 1.5 billion bushels is not excessive and is only around 19 percent of projected use.

We only have to think about the 1980 crop (6.6 billion bushels) to realize how quickly our supply can dissipate.

Question 4. The interest rates charged farmers for CCC loans are now scheduled to be adjusted on November 1. Based on your evaluation of current and projected interest costs to CCC, what type of adjustment should be made?

Answer. Interest rates, in general, have been trending downward in recent weeks. It is CCC's policy to base the rate charged farmers on the rate of interest charged CCC by the U.S. Treasury. While the November rate will not be available until the first of the month, we expect it to be slightly under 16 percent. The rate to be charged by CCC on or after November 1 is currently under consideration by the Department.

[Question Submitted by Senator Huddleston to Dr. Phillips and Answer Thereto]

Dr. Phillips, in his briefing before the committee last week on the Commission's pilot program for the trading in options on certain commodity futures contracts, Chairman Johnson noted that the Commission, like all agencies of Government, faces severe resource constraints despite rapidly expanding responsibilities.

Dr. Phillips, I am quite concerned that the 12-percent reduction in 1982 funding of the Commission's activities as proposed by the President—if actually made—would cripple the Commission's ability to do an adequate job of regulating futures trading.

A reduction of this magnitude appears to be particularly inappropriate, just as the Commission is initiating exchange-traded options.

Therefore, would you please tell us what kind of job of regulating futures trading you think the Commission could do if its funding for fiscal 1982 is reduced by 12 percent.

Answer. At this time, I am not sufficiently familiar with the composition and line item requirements of the budget of the Commodity Futures Trading Commission to be able to assess the impact of proposed budget cuts on particular Commission mandates or programs. If, however, budget constraints require CFTC programmatic adjustments, I am confident that the advice of the Senate Committee on Agriculture would be sought.

[Questions Submitted by Senator Huddleston to Mr. Rank and Answers Thereto]

Question 1. The Secretary announced on September 29 that CCC interest rates would remain at 14.5 percent through October 31. Do you feel that high interest rates adversely affect CCC programs?

Answer. An interest rate of 14.5 percent is not high in today's financial markets. The prime rate is now 18 percent. While farmers with excellent credit ratings can borrow funds at comparable rates in a few areas, most cannot obtain loans at rates anywhere near the current CCC rate. If most or all farmers could borrow at rates comparable to those charged by CCC there could be some adverse effect. However, it should be remembered that CCC loans are nonrecourse and even at the same or somewhat lower rates from the private sector CCC loans would still be advantageous.

Question 2. Can you provide an insight as to what the interest rate on CCC loans will be on November 1?

Answer. Interest rates, in general, have been trending downward in recent weeks. It is CCC's policy to base the rate charged farmers on the rate of interest charged CCC by the U.S. Treasury. The rate to be charged by CCC on or after November 1 is currently under consideration by the Department.

Question 3. Has the Department of Agriculture considered the negative effects on farm income that result from raising interest rates for CCC and Farmers Home Administration loans? Could you describe these effects?

Answer. The Department must continually be concerned with the well-being and viability of the farm sector. It must seek to assure an adequate supply of food and fiber at reasonable prices to consumers and remunerative prices to producers. At the same time, we must consider CCC costs in administrative programs, as these costs add to the need for Federal borrowing and can contribute to rising interest rates, as well as to inflation, which is a major problem we currently face. Interest rates are determined by market forces. When they are "high," demand for loanable funds is great relative to supply. To bring demand and supply into balance, without contributing to rising costs or spiraling inflation, requires short-run adjustment in the demand for available funds. Facilitation of this adjustment is in the best interests of farmers as it will dampen the rise in production costs allowing realized net income to increase.

Question 4. What effect will continued high CCC interest rates have on the level of loan activity?

Answer. Again, current CCC interest rates are not high in relation to commercial markets. The effect of interest rates is not determined by their level per se, but rather by the relationship between the loan level and market prices. As long as producers expect market prices to advance during the crop year by more than the cost of holding commodities, including interest, the rate would not negatively affect the volume of loan activity.

Question 5. Do you foresee the possibility that the Commodity Credit Corporation will be left holding a large volume of grain because farmers are reluctant to pay off loans that carry such a high interest rate?

Answer. A variation in interest rates will affect redemption only when market price is close to or below the cost of redeeming—loan plus interest—the commodity. Even, at loan maturity, if redemption cost exceeds market price, a producer could place grain in the farmer-owned reserve, which is now open for wheat and feedgrains.

Question 6. In your letter to the Office of Government Ethics, dated September 22, 1981, you state that you will recuse yourself from involvement in any particular matters that may arise within the Department of Agriculutre, including the operations of the Commodity Credit Corporation, regarding farming operations in Fresno County and Ventura County, California.

These two counties produce a variety of farm commodities. Because of this, wouldn't most of the decisions the Commodity Credit Corporation has to make on farm programs affect these two counties?

If so, and you recuse yourself from a large part of the activities of the Commodity Credit Corporation, will you be able to serve effectively as a member of the Board of the CCC?

Answer. I feel that it is very important that Federal officials representing the Commodity Credit Corporation (CCC) should be in a position to defend their actions based on the total impact of the issue as it relates to the entire U.S. and world agricultural sectors. I would consider the broad issues discussed by the CCC in this category, and I would not consider it as a particular impact on the operations of the farming communities in Fresno and Ventura Counties in California. If CCC were

dealing with issues directly related to the specific issues just mentioned, then I would abstain from participation in those particular issues.

STATEMENT OF HON. CHARLES GRASSLEY, A U.S. SENATOR FROM IOWA

I am very pleased to be here this morning to join my colleagues in introducing to members of the Senate Agriculture Committee Dr. Susan Phillips, associate vice president of finance and university services at the University of Iowa in Iowa City. It is my hope that the committee will act favorably upon Dr. Phillips' presidential nomination to the position of Commissioner of the Commodity Futures Trading Commission.

It is clear from Dr. Phillips' impressive credentials that she is well qualified for this position. And I believe that from my conversation with her and with others who have been associated with her and her work at the University of Iowa that she will make a significant contribution to the operation of the Commodity Futures Trading Commission.

CURRICULUM VITAE—SUSAN MEREDITH PHILLIPS, JUNE 1981

Personal

Date and place of birth: December 23, 1944, Richmond, Va.
Home address: 1639 Morningside Drive, Iowa City, Iowa 52240.
Office address: 101 Jessup Hall, The University of Iowa, Iowa City, Iowa 52242.
Phones: (319) 337-9730 and (319) 353-3120.

Areas of specialization

Financial Management, Security and Capital Market Analysis, Portfolio and Capital Market Theory, Financial Intermediation, Economic Theory of Regulation, Options and Commodity Futures, Economic Aspects of Private Pensions.

Education

1967: B.A. (Mathematics, Economics), Agnes Scott College.
1971: M.S. (Finance, Economics); Louisiana State University.
1973: Ph. D. (Finance; minors: Economics, Management); Louisiana State University (Dissertation: "The Portability Concept: Development, Growth and Future Direction"; State Farm Companies Foundation Dissertation Grant).

Employment

1967–69, Summer 1970, January 1971: Research Assistant, later Research Technician in Group Pension Actuarial and Research Department, John Hancock Mutual Life Insurance Co., Boston, Mass.
1973–74: Assistant Professor, Finance Department, Louisiana State University.
1974–78: Assistant Professor, Department of Business Administration, University of Iowa (on leave from June 1976 to July 1978).
July 1976–July 1978: Brookings Economic Policy Fellow (1976–77), SEC Economic Fellow (1977–78); Directorate of Economic and Policy Research, Securities and Exchange Commission.
April 1978 to Present: Associate Professor, Finance Department, University of Iowa.
February 1979–June 1980: Interim Assistant Vice President of Finance and University Services, University of Iowa.
July 1980 to Present: Associate Vice President of Finance and University Services, University of Iowa.

Committee, professional and external responsibilities

Academic and Community Committee Assignments and Responsibilities:
Undergraduate Committee, College of Business Administration (1974–75); MBA Committee (1975–76); Search Committee for Associate Dean (1975–76); University Faculty Senate (1977–79)—on leave for the 1977–78 academic year); Board of Directors of the Visiting Nurse Association of Johnson County; Elected Faculty Council, Vice Chairman of Council (1978–79); Business Administration Reorganization Committee (1978–79).
Professional Affiliations and Activities:
American Finance Association, Financial Management Associate, Midwest Finance Association, Eastern Finance Association, American Risk and Insurance Association, Southern Risk and Insurance Association (Secretary/Treasurer, 1975–76; Second Vice President-Program Chairman, 1976–77; First Vice President, 1977–78; President, 1978–79), Beta Gamma Sigma.

Professional Consulting:

Small Plan Pension Valuation; Expert Witness for the determination of present value of life income for Accident and Death Insurance settlements; Regulatory issues relating to Index Futures and Commodity Options—Commodities Futures Trading Commission.

Public Testimony:

Expert Witness on Private Pension Portability Before the Subcommittee on Retirement Income and Employment of the Select Committee on Aging, U.S. House of Representatives, April 6, 1978.

Research and publication

Publications:

1. "A Comparison of Options and Futures in the Management of Portfolio Risk" with Eugene Moriarty and Paula Tosini, Financial Anaysists Journal, Jan.-Feb., 1981.
2. "Trading Costs for Listed Options; The Implications for Market Efficiency" with Clifford W. Smith, Journal of Financial Economics 8 (1980).
3. "The Supreme Court's Decisions on The Daniel's Case: Implications for Pension Regulation," Journal of Risk and Insurance, December 1979.
4. "The Cost of Funding Benefits Under the ERISA: A Statistical Survey—Comment: Author's Reply," with Linda Pickthorne Fletcher, Journal of Risk and Insurance, March 1978; Second Reply, December 1979.
5. "The Future of the Portable Pension Concept," with Linda Pickthorne Fletcher, Industrial and Labor Relations Review, January 1977.
6. "The Cost of Funding Accrued Benefits Under the Employee Retirement Income Security Act of 1974: A Statistical Survey," with Linda Pickthorne Fletcher, The Journal of Risk and Insurance, December 1976.
7. "Potential Effects of Recent Pension Legislation," Best's Review, Life and Health Edition, March 1975.
8. "The Token Woman," with Linda Pickthorne Fletcher, Intercollegiate Case Clearing House (Harvard University), Case LCCH-#9475729. Reprinted in the following case texts: (1) Business and Society, eds., Hay, Gray and Gates; (2) Cases in Organizational Behavior, eds., White and Vroman; (3) Principles of Management in Organizational Behavior, Justin G. Longenecker; and (4) Personnel and Human Resources Administration, Leon Megginson.
9. "The Finance Course: An Industry View—Comment," Journal of Financial Education, Fall 1974.

Books and Book Contributions:

1. "The SEC and the Public Interest," with J. Richard Zecher (MIT Press, 1981).
2. "Deregulation of Fixed Commission Rates in the Securities Industry," with Dan Roberts and J. Richard Zechler, "The Deregulation of the Banking and Securities Industries," (Lexington Books, D.C. Heath and Company, 1979).
3. "Investment Environment, Analysis and Alternatives: A Book of Readings," Coedited with Richard A. Stevenson (West Publishing Company, 1977); and the following paper: "Yield-Risk Performance of Convertible Securities," with Robert M. Soldofsky and Richard A. Stevenson.
4. "Organizations: Theory and Behavior" (McGraw-Hill, 1975) by Herbert Hicks and C. Ray Gullett in Collaboration with Susan M. Phillips and William S. Slaughter III; and the following chapters: "Some Environmental Challenges," and "Decision Making."

Research Results:

1. "Stock-Index Futures and Options: An Analysis of Margining Comparability," with Paula A. Tosini, U.S. Commodities Futures Trading Commission, October 1979. Washington, D.C.
2. "An Analysis of the Market Structure for Dually Traded Options," with Dan Roberts, Midwest Finance Association, April 1979, Chicago, Ill.
3. Comment on a paper entitled "Put-Call Parity and Market Efficiency" by Robert C. Klemkosky and Bruce G. Resnick, Southern Finance Association, November 1978, Washington, D.C.
4. "The Delta Factor—Implications for Risk Management, Market Making and the Monitoring of Credit Usage and Financial Stability," with J. Richard Zecher, U.S. Securities and Exchange Commission, June 1978, Washington, D.C.
5. "Effects on the Financial Structure of Assuming the Unfunded Accrued Liability as Imposed by the Employee Retirement Income Security Act of 1974—The Case of Major U.S. Firms," with Linda Pickthorne Fletcher, Financial Management Association, October 1977, Seattle.
6. "Analysis of Financial Data of Specialists' Operations," with J. Richard Zecher, Roger W. Spencer, Le Manh Tri, James P. Burgess and Jeffrey L. Davis,

National Market Advisory Board, Securities and Exchange Commission, November 15, 1976, Washington, D.C.

7. Comment on a paper entitled "The Effects of Taxes on the Cost of Equity Capital" by Timothy Nantell and Robert Carlson, Midwest Finance Association, April 1976, St. Louis.

8. "Long Term Structure of the Secondary Equity Market," Financial Management Association, October 1975, Kansas City, Kans.

9. "Affirmative Action in Recruiting Finance Faculty: Comments on the Supply Side," Colloquium Session on Affirmative Action in Recruiting at the Financial Management Association meeting, October 1974, San Diego.

United States of America
Office of Government Ethics

Office of Personnel Management
Washington, D.C. 20415

SEP 16 198

Honorable Jesse A. Helms
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Susan M. Phillips, who has been nominated by President Reagan for the position of Commissioner, Commodity Futures Trading Commission.

We have reviewed the report and have also obtained advice from the Commodity Futures Trading Commission concerning any possible conflict in light of the Commission's functions and the nominee's proposed duties. Based thereon, we believe that Ms. Phillips is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

J. Jackson Walter
Director

Enclosure

☐ Incumbent	☒ New Entrant, Nominee, or Candidate	☐ Termination Report	**NOTE** All schedules must be filed. Enter "None" in areas of across schedules where appropriate.

Agency Use Only	OGE Use Only
Date of Filing 7/28/81 J. Jann	

Reporting Individual's Name	Last Name: Phillips	First Name and Middle Initial: Susan H.	
Position for Which Filing	Title of Position: Commissioner	Department or Agency (If Applicable): Commodities Futures Trading Commission	Date of Appointment, Candidacy, Election or Nomination (Mo., Day, Yr.):	Termination Date (Month, Day, Year) (If Applicable):
Location of Present Office	Address (Number, Street, City, State and Zip Code): 101 Jessup Hall, The University of Iowa Iowa City, IA 52242		Room Number: 101 Jessup Hall	Telephone No. (Include Area Code): (319) 353-3120

Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination: Senate Agriculture Committee	Do You Intend to Create a Qualified Diversified Trust? ☐ Yes ☒ No

Position(s) Held With the Federal Government During the Preceding 12 Months (If Not Same as Above)	Title of Position(s) and Date(s) Held: None

Certification I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge and belief	Signature of Reporting Individual: Susan M. Phillips	Date (Month, Day, Year): 6/30/81

Agency Ethics Official's Certification The information contained in this report discloses no conflict of interest under applicable laws and regulations.	Signature of Designated Agency Ethics Official: John S. Gunn	Date (Month, Day, Year): 8/25/81
Office of Government Ethics Use Only	Signature: [illegible]	Date (Month, Day, Year): 7-15-81

Comments of Reviewing Officials (If additional space is required, use the reverse side of this sheet)

Additional state position [illegible] $0.00

(Check box if comments are continued on the reverse side) ☐

Do you, your spouse, or dependents child receive income from, or have a beneficial interest in a trust? ..... A

If "yes", have you reported the income from the trust? .....

If "yes", have you reported the assets of the trust? .....

If "yes", is this trust an "excepted" trust? ... Yes / No or "qualified" trust? ....

Are there any interests in property or liabilities of a spouse or dependent child which you have not reported but which would be reportable, if held by you? .. V

If "yes", do you certify to the following?

1. They represent solely your spouse's or dependent child's financial interest or responsibility;
2. They are not, in any way, past or present, derived from your income, assets, or activities;
3. You neither derive, nor expect to derive, any financial or economic benefit from them; and
4. You do not have knowledge as to the composition of such interests or liabilities? .....

Page Number	2	Schedule A

Reporting Individual's Name: Susan H. Phillips

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Date of Filing (Month, Day, Year)

Spouse (S) or Dependent Child (DC)	Identification	Income: Type of Income (✓) Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust	Other (Specify)	Income: Category of Amount or Value (✓) None (or less than $201)	$201-$1,000	$1,001-$2,500	$2,501-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	Over $100,000	Actual Amount Only if "Other" Specified	Date (Mo., Day, Yr.) Only if Honoraria	Interests in Property: Valuation of Assets (✓) Valuation Method	$1,001-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$250,000	Over $250,000
	Chicago Board Options Exchange Pomerance Prize Award							Award		X								12/16/80							
	MIT Press -- Book Royalty		X							X															
	State Farm Companies Foundation							Honorarium		X								4/18/80							
	West Publishing Company							Honorarium		X							* 175 300 1	1981 5/20/80							
	Associate Vice President for Finance and University Services THE UNIVERSITY OF IOWA							Salary						X			~~$43,000/yr.~~ * 56,464.21								
	*See attached sheet #1-4-7																								

Susan M. Phillips

Agency Use Only

Date of Filing (Month, Day, Year)

Report Applicable Transactions, Even if Also Reported on Schedule A

S or DC	Identification of Property	Type of Transaction			Date (Month, Day, Year)		Category of Amount or Value ( )					
		Purchase	Sale	Exchange	Purchase	Sale or Exchange	$1,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	Over $250,000
	None											

Reporting Individual's Name
Susan M. Phillips
Agency Use Only
Date of Filing (Month, Day, Year)

I. Lodging, Transportation, Food and Entertainment—*List each source totaling $250 or more in value*

Sched	Source (Name and Address)	Brief Description	Approximate Value, If Known
	Not Applicable		

II—All Other Gifts—*List each source totaling $100 or more in value*

Sched	Source (Name and Address)	Brief Description	Value
	Not Applicable		

III Reimbursements—*List each source totaling $250 or more in value*

Sched	Source (Name and Address)	Brief Description	Approximate Value, If Known
	Not Applicable		

LIABILITIES

Susan H. Phillips | Date of Filing (Month, Day, Year) | Number | 5 | D

S or DC	Name and Address of Creditor	Type of Liability (e.g., promissory note, margin account) Give date, interest rate and, if applicable, term	Category of Amount or Value (✓) $10,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	Over $250,000
	None						

POSITIONS HELD

Name and Address of Organization	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
The University of Iowa; Iowa City, IA 52242	Educational Institution	Interim Asst. Vice President for Finance & Univ. Serv.	May 1979	July 1980
The University of Iowa; Iowa City, IA 52242	Educational Institution	Associate Vice President for Finance & University Serv.	July 1980	Present
Visiting Nurses Association of Johnson County; 1115 Gilbert Ct, Iowa City, IA 52240	Public Health	Member, Board of Directors	Winter 1975	Present

COMPENSATION IN EXCESS OF $5,000 PAID BY ONE SOURCE

Source (Name and Address)	Brief Description of Duties
The University of Iowa, Iowa City, IA 52240	University fiscal officer; Responsible for University budgets, fiscal planning, intercollegiate athletics, recreation, sports training, administrative data processing.

RELATIONS WITH OTHER EMPLOYERS

Description of Terms of Any Agreement or Arrangement	Parties	Date (Mo., Day, Yr.)
Leave of absence from faculty position	Department of Finance; College of Business; The University of Iowa	to be arranged
	Dean J. Richard Zecher	
	Department Chairman Richard Stevenson	

The University of Iowa
Iowa City, Iowa 52242

Vice President for Finance
and University Services

RECEIVED
CFTC
Aug 16 10 20 AM '81
OFFICE OF THE
GENERAL COUNSEL

August 11, 1981

Mr. John Gaine
Commodity Futures Trading Commission
2033 K Street, NW
Washington, DC 20581

Dear Mr. Gaine:

As you requested, I checked my tax files for income from West Publishing Company and found that I had both royalty income (from a book) and several honoraria for book reviews. That income is as follows:

	1980	1981
Royalty	$21.19	$27.90
Honoraria	$300.00	$175.00

If you have any further questions, please do not hesitate to call.

Sincerely,

Susan M. Phillips

Susan M. Phillips
Associate Vice President

cc: David B. Waller

The University of Iowa
Iowa City, Iowa 52242

Vice President for Finance
and University Services

RECEIVED
CFTC
Aug 24 11 51 AM '81
OFFICE OF THE
GENERAL COUNSEL

August 21, 1981

Mr. John Gaine
Commodity Futures Trading Commission
2033 K Street, NW
Washington, DC 20581

Dear Mr. Gaine:

As you requested, I checked my tax files and can report the following:

1. Salary from The University of Iowa:

1980	$33,963.82	$56,464.61
1981 (through July 31)	$22,500.79	

Note: Our fiscal year is July 1 to June 30, so calendar year salary spans two UI fiscal years and is not an even amount.

2. Honoraria from West Publishing (listed separately):

1980	$300
1981	$100
	$75

If you have any further questions, please do not hesitate to call.

Sincerely,

Susan M. Phillips

Susan M. Phillips
Associate Vice President

cc: David B. Waller

EVERETT RANK, ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Everett Rank was named administrator of the Agricultural Stabilization and Conservation Service (ASCS) by Secretary of Agriculture John R. Block on March 6, 1981. He also serves as Executive Vice President of the Commodity Credit Corporation (CCC).

ASCS administers USDA's farm commodity programs; cost-sharing conservation programs; disaster assistance programs; and certain national defense programs.

Mr. Rank was ASCS' Western Regional Director from 1974 to 1977. He was chairman of the California State ASC Committee from 1969 to 1974, and chairman of the Fresno County ASC Committee from 1961 to 1969. He is a past president of Clovis Center Farm Bureau, and a past director of the Fresno County Farm Bureau, Ranchers Cotton Oil Company, Cal-Cot, Clovis-Sanger Gin Co-op, and Huron Cotton Ginning Company. He is a past member of the Clovis Unified School District Board of Trustees, serving as its president for 8 years, and also served on the Board of Governors of California State University of Fresno. A lifelong farmer, Mr. Rank grew cotton, almonds, grain, fruits, and cannery tomatoes on his farm near Fresno. He was named Outstanding Young Farmer by the Fresno County Chamber of Commerce in 1956.

Mr. Rank is a graduate of Clovis High School, Fresno, California. He served in the U.S. Navy during World War II. He is a member of the Clovis Masonic Lodge, the American Legion, and the Board of Deacons of Northwest Church in Fresno.

Mr. Rank and his wife have three daughters and one granddaughter.

United States of America
Office of Government Ethics

Office of Personnel Management
Washington, D.C. 20415

OCT 14 1981

Honorable Jesse A. Helms
Chairman, Committee on Agriculture,
Nutrition and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Everett G. Rank, Administrator of the Agricultural Stabilization and Conservation Service of the Department of Agriculture, who has been nominated by President Reagan to be a Member of the Board of Directors of the Commodity Credit Corporation.

We have reviewed the report and have also obtained advice from the Department of Agriculture concerning any possible conflict in light of the Department's functions and the nominee's proposed duties. Mr. Rank and his wife hold interests in several farming enterprises, which are described in a letter from Mr. Rank to this Office, attached to the report. Mr. Rank will recuse himself from any particular matters which may arise within the Department of Agriculture regarding farming operations in the Fresno and Ventura counties of California, the two counties in which all of these farming interests are located. Further, Mr. Rank pledges to avoid active involvement in the management of these farming operations. Mr. Rank will resign as Director and Secretary of the Newport Beach Development Corporation, a California farming corporation, upon confirmation by the Senate.

Based upon these considerations, we believe that Mr. Rank will be in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

for J. Jackson Walter
Director

Enclosure

Reporting Status (Check Appropriate Box)

☐ Incumbent — Initial Executive Personnel or Candidate Report — Termination Report

NOTE: All schedules must be filled. Enter "None" (or mark "N") on blank schedules where appropriate.

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Reporting Individual's Name	Last Name: Rank	First Name and Middle Initial: Everett G.		
Position for Which Filing	Title of Position: Administrator	Department or Agency (If Applicable): USDA - ASCS	Date of Appointment, Candidacy Election or Nomination (Mo., Day, Yr.): 3-9-81	Termination Date (If Applicable) (Month, Day, Year):
Location of Present Office	Address (Number, Street, City, State and Zip Code): Dept. of Agriculture, Wash. D. C. 20250		Room Number: 3085-S	Telephone No. (Include Area Code): 202 447-3467
Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination: Agriculture Committee		Do You Intend to Create a Qualified Diversified Trust? ☐ Yes ☒ No	

Position(s) Held With the Federal Government During the Preceding 12 Months (If Not Same as Above): Title of Position(s) and Date(s) Held: None

Certification

I CERTIFY that the statements I have made on the filed and attached schedules are true, complete and correct to the best of my knowledge and belief.

Signature of Reporting Individual: Everett Rank — Date (Month, Day, Year): 9/17/81

Agency Ethics Official's Opinion

The information contained in this report discloses no conflict of interest under applicable laws and regulations.

Signature of Designated Agency Ethics Official Reviewing Official: William J. Riley, Jr., Alternate Designated Ethics Official — Date (Month, Day, Year): 9/22/81

Office of Government Ethics Use Only 105-1(12)(a) NB? 9/28/81

Signature: [signature], Deputy — Date (Month, Day, Year): 10/13/81

Comments of Reviewing Official (If additional space is required, use the reverse side of this sheet)

Member of Board of Directors of Commodity Credit Corporation.

30

	Yes	No
Do you, your spouse or dependent child receive income from or have a beneficial interest in a trust?		X
If "yes", have you reported the income from the trust?		
If "yes", have you reported the assets of the trust?		
If "yes", is this trust an "excepted" trust?	✓	
or "qualified" trust?		✓

	Yes	No
Do you have any additional assets, liabilities, transactions, exchanges or liabilities of a spouse or dependent child which you have not reported but which would be reportable but for the following: 1. They represent solely your spouse's or dependent child's financial interest or responsibility. 2. They are not, in any way, part of or derived from your income, assets, or activities. 3. You neither derive, nor expect to derive, any financial or economic benefit from them, and 4. You do not have knowledge as to the composition of such investments or liabilities. Do you certify to all of the above?		X

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Schedule A

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	Identification	Income: Type of Income (✓)							Income: Category of Amount or Value (✓)									Interests in Property: Valuation of Assets (✓)							
Owner (S, SP, DC, or J)		Dividends	Rent	Interest	Capital Gains	Royalties	Partnership	Other (Specify)	None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	Over $100,000	Actual Amount Only if "Other" Specified	Date (Mo. Day, Yr.) Only if Honoraria	None (or less than $1,001)	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	Over $250,000
S	Home Ranch - 118A Fresno, Calif.		x								x								A							x
S	Huron Property - Huron, Calif.		x								x								A							x
	Guarantor's Fee - Cinco Farms, Huron, Calif.							Personal Guarantee Crop Loan									30,353.00									
	Director's Fee - Cinco Farms, Huron, Calif.							Director's Fee & Officers Salary									36,000.00									
	Guarantor's Fee, Newport Beach Development Corp., Huron, Calif.							Personal Loan Guarantee									7,911.00									
	Cinco Farms, Inc., Huron, Calif.								✓										B							x
S	Newport Beach Development Corp. Huron, Calif.								✓										B							x
	Kemper Corp. Stock	x							x										A	(less than $500)						
	Northwest Church - Fresno, Calif.			x						x									A		x					
	Bank of America - Fresno, Calif.			x				Certificates of Deposit			x								H		x					
	Everett G. Rank, Sr., Trust 1969 Agriculture land, Fresno, Calif.							Co-trustee									none									x
	Treasury Bill			x					x										H	x						

(Rev. 1982)

PURCHASES, SALES, AND EXCHANGES

This schedule is applicable only in the case of annual and termination reports.

Page Number 3 | Schedule B

Agency Use Only

Report Applicable Transactions, Even if Also Reported on Schedule A

S or DC	Identification of Property (real and personal)	Type of Transaction: Purchase	Sale	Exchange	Date (Month, Day, Year): Purchase	Sale or Exchange	Category of Amount or Value: $1,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	$250,001 to $500,000	Over $500,000
	NONE											

Reporting Individual's Name

Agency Use Only

Date of Filing (Month, Day, Year)

GIFTS AND REIMBURSEMENTS

This schedule is applicable only in the case of annual and termination reports.

I. Lodging, Transportation, Food and Entertainment—List each source totaling $250 or more in value

Sec.	Source (Name and Address)	Brief Description	Value
	NONE		

II—All Other Gifts—List each source totaling $100 or more in value

Sec.	Source (Name and Address)	Brief Description	Value
	NONE		

III. Reimbursements—List each source totaling $250 or more in value

Sec.	Source (Name and Address)	Brief Description	Value
	NONE		

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LIABILITIES

S (or J)	Name and Address of Creditor	Type of Liability (e.g., promissory note, margin account) Date, interest rate and, if applicable, term				Category of Amount or Value ($) $10,000 to $15,000	$15,001 to $40,000	$40,001 to $100,000	$100,001 to $250,000	Over $250,000
	Security Bank, Coalinga, Calif.	Deed of Trust	1974	8 3/4%	20 years				X	
	Bank of America, Fresno, Calif.	Amorized Loan	1979	10 3/4%	25 years					X
	California Valley National Bank, Fresno, Calif.	Deed of Trust	1980	12 1/2%	2 year term loan					X
	Federal Land Bank, Fresno, Calif.	Deed of Trust	1973	variable	20 years		x			
	California Valley National Bank, Fresno, Calif.	Contingent liability on line of credit to Cinco Farms - 1 year term - 14%								x
	California Valley National Bank, Fresno, Calif.	Contingent liability on line of credit to Newport Beach Development Corp. - 1 year - 14%								x

POSITIONS HELD

	Name of Organization	Type of Organization	Position Held	From (mo., yr.)	To (mo., yr.)
	Cinco Farms, Huron, Calif.	Agriculture-Farming	Director	2 - 74	6 - 81
*	Newport Beach Development Corportation Huron, Calif.	Agriculture-Farming	Director - Secretary	1 - 79	Will resign upon confirmati
	Huron Ginning Co., Huron, Calif.	Cotton Gin	Director	7-1-77	3-10-81
	University of California at Fresno, Fresno, Calif.	Educational	Board of Governors-Ag School	1-72	3 - 81

COMPENSATION IN EXCESS OF $15,000 PAID BY ONE SOURCE

This section is applicable only in the case of promotions and new entrants

Name and Address of Payer	Brief Description of Duties
NONE	

RELATIONS WITH OTHER EMPLOYERS

Name and Address of Any Appointment or Arrangement	Parties	Date (mo., day, yr.)
NONE		

SEPTEMBER 22, 1981.

Hon. J. JACKSON WALTER,
Director, Office of Government Ethics,
Washington, D.C.

DEAR MR. WALTER: I have submitted my SF-278, Financial Disclosure Report, making full disclosure of my financial interests as required in connection with my appointment as Administrator of the Agricultural Stabilization and Conservation Service (ASCS), Department of Agriculture, and my nomination to be a Member of the Board of Directors of the Commodity Credit Corporation (CCC). That form has been approved by Mr. John W. Fossum, this Department's designated agency official under the Ethics in Government Act of 1978, and a copy has been forwarded to you with Mr. Fossum's letter of this date.

The purpose of this letter is to outline the steps which I intend to take to assure that no actual or apparent conflict of interest exists between my personal financial interests and the duties of my positions as Administrator of ASCS and Member of the Board of Directors of the CCC.

My wife and I own interests in several farming enterprises. Our Home Ranch, located in Fresno, California, is comprised of 118 acres, and is used for production of almonds. This land is farmed by our son-in-law on the basis of an oral crop-share arrangement.

Cinco Farms is a corporation in which we own a 17½ percent interest, and is located in Huron, California. Cinco has 360 acres devoted to oranges and lemons, and 40 acres on which row crops are grown. In addition, my wife and I lease 260 acres to Cinco, on which cannery tomatoes, wheat, cotton, and barley are grown, on the basis of a written, five-year cash-rent lease. I have also served since 1974 as a Director of Cinco Farms, but have resigned effective as of June 1981.

Newport Beach Development Corporation is another California corporation engaged in agricultural activities, in which my wife and I own a 16⅔ percent interest. Newport Beach farms approximately 4,000 acres, on which citrus and avocadoes are grown. I currently serve as a Director and as Secretary of the corporation, and I have determined that I will resign from both those positions immediately upon my confirmation by the Senate as a Member of the Board of Directors of the CCC.

I also serve as co-trustee, with my mother, of the Everett G. Rank Trust, a testamentary trust estalished by my late father. Under the terms of the trust, my mother receives all income from the trust for the remainder of her lifetime. My two sisters, my brother, and I are contingent beneficiaries under the terms of the trust. The trust owns agricultural lands, most of which are leased on a crop-share basis and are used as vineyards. Approximately 100 acres are used for production of wheat. An additional 17½ acres are leased to a third party on a cash rent basis and are used for growing boysenberries.

Of all of the above-described farming operations in which my wife and I own any interest, including the trust agreement under which I am a contingent beneficiary, the only crops which may be considered to be price-supported in any fashion by the programs of the Department of Agriculture, ASCS, or the CCC, are the cotton and wheat produced by Cinco Farms and the 100 acres of wheat grown on part of the lands administered by the trust. Notwithstanding the de minimis nature of these interests, I have decided that I will pledge to recuse myself from involvement in any particular matters which may arise within the Department of Agriculture, including the operations of the CCC, regarding farming operations in Fresno and Ventura Counties, the two counties in which all of the above-described farming operations are conducted. I also pledge to avoid active involvement in management of the farming operations of the Home Ranch, Cinco Farms, Newport Beach Development Corporation, and the lands administered by the Everett G. Rank Trust.

I believe that these steps will assure that no conflict of interest, either actual or apparent, will exist between my personal financial interests and the duties which I will perform as Administrator of ASCS and as a Member of the Board of Directors of the Commodity Credit Corporation.

Sincerely,

EVERETT G. RANK.

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